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Supreme Court of the United States

OCTOBER TERM 1944

No. 347

THE GEORGE W. LUFT COMPANY, INC.,
Petitioner,
against

ZANDE COSMETIC CO., INC., and ARISTIDES TSIRKAS,
Respondents.

RESPONDENTS' OPPOSING BRIEF

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I.

Reply to Petitioner's Statement of Matter Involved.

This was an action for trade-mark infringement and unfair competition based upon the alleged confusing similarity of respondents' trade-marks "Zande" and "Viz-Zan-De" to petitioner's name "Tangee", in the selling of lipsticks. The District Court held that the mark "Viz-Zan-De" was not an infringement, but that there was a likelihood of confusion of the name "Zande" with "Tangee". The respondent corporation started to use the mark "Zande" in the early part of 1935, almost entirely in foreign markets.

Figures in parentheses refer to pages of the Record.

This action was not commenced until March 1941; the trial took place in October 1942.

The essential allegation in the complaint was that the use of the mark "Zande" by the respondents was "calculated to mislead the purchasing public into the belief" that the respondents' merchandise was that of the petitioner (5).

Although the mark "Zande" had been used for over seven years prior to the trial, there was not only no evidence of actual deception or confusion, but it appears that petitioner never heard of anyone who was misled by the name "Zande" into believing that she was buying Tangee merchandise (331 et seq.). The finding of likelihood of confusion, therefore, was based wholly upon a "subjective appraisal". There was also no evidence of the respondents' having dealt with petitioner's customers, of any underselling or any disparagement of the petitioner's product. Under these circumstances, and considering that the purchase of a lipstick involves special discrimination, it might be found difficult, as the dissenting Justices in the *Mishawaka* case stated, "to conclude that there were substantial probabilities of deception." (*Mishawaka Rubber & Woolen Mfg. Co. v. Kresge Co.*, 316 U. S. 203.)

Although petitioner, in this application, refers to the "intentional piracy" of the respondents, there was none of the usual extrinsic evidence of intent. As a matter of fact, indications were contrary. The Tangee lipstick is known principally as a Broadway "theatrical" lipstick (51). In 1935, when the respondent corporation started in business, over seventy per cent of the Tangee business was domestic (393). Nevertheless, the respondent corporation confined its efforts to the cultivation of foreign business almost exclusively, principally in South America, and extending to China, Japan, Egypt and Africa (418 et seq.) and other places where the petitioner did little or no business. Substantially all of respondents' business under the name "Zande" has been conducted in foreign markets where it has been determined that "Zande" did not infringe "Tangee".

To support its claim of wrongful intent on the part of the respondents, petitioner quotes from the case of *Michel Cosmetics, Inc. v. Tsirkas*, 282 N. Y. 195. As a matter of fact, the record in the *Michel* case was excluded by the District Court (436) and the petitioner took no appeal from this ruling. The New York Court of Appeals, in the case referred to, unanimously reversed the money judgment obtained against the defendants in March 1940, and to date no money judgment has ever been obtained in that case.

Although no action for an injunction was started in the United States until this action in 1941, the petitioner and its assignor have been in trade-mark litigation with Zande all over the world since March 1935, in most of which Tangee has been unsuccessful. The petitioner boasts that it is the "largest selling lipstick in the market". Respondents' total gross business from 1935 to 1942, spread all over the world, was less than \$300,000, of which not over two per cent was domestic (426, 471). The petitioner, with unlimited financial resources, is attempting in this action to prevent the respondents from doing business in foreign countries where it has been finally determined, over petitioner's opposition, that there was no infringement, no likelihood of the purchasing public being misled, and no unfair competition (471).

There is a note on page 12 of petitioner's brief that is somewhat misleading. At the time of the entry of the interlocutory decree, it was suggested that, rather than direct the destruction of the metal containers possessed by respondents, the court direct the obliteration of the name "Zande". The District Court struck out the provision for destruction of containers, etc., but made no other direction (449). As a matter of fact, the Circuit Court of Appeals granted a stay of the injunctive and accounting provisions of the interlocutory judgment, pending appeal (461).

II.

**The Decision of the Circuit Court of Appeals
on the Respondents' Foreign Business.**

The District Court found against the respondents on all points, except that the name "Viz-Zan-De" was not an infringement, and granted a decree with unlimited injunctive and accounting provisions (451-453).

Respondent corporation, prior to the trial, had procured copies of records of the trade-mark litigations between the parties in certain foreign countries, in many of which, including Brazil, Mexico and Venezuela, it had been finally determined that Zande did not infringe Tangee. Because of petitioner's refusal to make any concession as to authenticity under Rule 36 of the Rules of Civil Procedure, the respondent was compelled to go to considerable expense to get exemplified copies and translations of these records. They were offered in evidence at the trial and an expert was produced to testify as to their legal effect (252 et seq.). They were introduced not on the question of confusing similarity in the United States, but on the scope of the injunction and accounting, if decreed. The petitioner objected and the Trial Court reserved decision, but in deciding the case later, excluded all of the records as irrelevant and immaterial (437).

On appeal to the Circuit Court of Appeals, the respondents claimed that this ruling of the District Court was error. The petitioner has not stated clearly what the Circuit Court decided on this point.

In the first place, the Circuit Court decided definitely that the ruling of the District Court, holding these foreign records to be irrelevant and inadmissible, was erroneous, and that the records should have been received, being relevant and admissible on the scope of the injunction and accounting (470 et seq.). It seems that petitioner, on this application, does not contend that this ruling of the Circuit Court was error.

Secondly, the Circuit Court has directed that the Special Master, named in the decree, should consider this evidence of foreign trade-mark proceedings, and any additional evidence that may be offered, as the basis of a report to the District Court "on the proper scope of the injunction as well as on the accounting" (474). Apparently, the petitioner on this application does not contend that this latter ruling of the Circuit Court, broadening the reference to the Special Master, was erroneous.

Thirdly, the Circuit Court went on to explain in what connection the evidence of foreign proceedings was relevant for the enlightenment and direction of the Special Master and the District Court, in their further consideration of the scope of the decree. The Circuit Court made a classification of foreign business, and it is concerning this classification that petitioner now seeks review by this Court. The opinion of the Circuit Court on that classification reads as follows:

"* * * As to the foreign business, the evidence which the district court excluded as irrelevant bears upon a classification that we regard as relevant, as follows: (a) countries where both parties are doing business and the defendants have established their right by the local law to use the name 'Zande', (b) countries where both parties are doing business and the defendants have not established such right; and (c) countries where the defendants are doing business and the plaintiff has not proved that it has ever done business or is likely to do it" (471).

The attitude of petitioner concerning this classification seems to be as follows:

(a) That the opinion of the Circuit Court with respect to respondents' business in countries falling within class (a), is erroneous, without precedent, and conflicts with decisions of the Circuit Courts and this Court.

It may be necessary here to direct attention to precisely what the Circuit Court stated on this point, namely, that the problem really was whether, according to the "principles

of equity", as provided in Section 99 of the Trade Mark Act, a court of equity should interfere with the activities of the respondents in the United States, which are exclusively concerned with business in foreign countries where it has been declared that the respondents' mark is not an infringement of that of petitioner. The Circuit Court has expressed, as its opinion, that it does not see upon what "principles of equity" a court can enjoin the initiation of acts in the United States, which constitute no wrong to the petitioner in the country where they are to be consummated, and *a fortiori*, the Court cannot perceive upon what theory petitioner can recover damages for such acts (473). It is important to note that the Circuit Court *then leaves for the determination of the District Court what countries come within this classification* (473). It would seem that orderly procedure would require this determination to be made in a modified Interlocutory Decree based upon a report from the Special Master. The function of the Special Master under the original decree is only to inquire into profits and damages (452).

(b) With respect to class (b) countries, petitioner finds no fault, and apparently, now agrees that the Circuit Court was right in admitting the evidence of foreign proceedings as far as they apply to countries in this class.

(c) With respect to class (c) countries, as we understand it, petitioner contends that there is no basis in fact in the case for this class of countries; that it was "solely the creature of the Circuit Court of Appeals" (Petitioner's Brief, p. 33). Of course, if this be the fact, it will presumably be so found upon the introduction of evidence before the Special Master, and this question will then be wholly academic. There is nothing novel about the opinion of the Circuit Court on this class. It is based upon well established precedent. *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403, 416.

In the above discussion, because of our attitude, as set forth in the following point, we have attempted only to

clarify for this Court what we understand actually to be the rulings of the Circuit Court of Appeals on this matter of foreign business. We fail to see how this Court could ever come to the conclusion that "principles of equity" necessitate or justify enjoining the respondents from shipping goods for sale in countries where it has been finally determined, over the opposition of the petitioner, that the mark "Zande" is not an infringement of the mark "Tangee". After all, the primary purpose of trademark law is the protection of the trade, rather than the mark. We especially cannot see how this Court could ever come to the conclusion, in view of the language of the prevailing opinion in the *Mishawaka* case, that the petitioner should be entitled to the profits which the respondents have made on merchandise already sold in those countries. This Court, in that case, said:

"* * * The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark".

Mishawaka Rubber Co. v. Kresge, 316 U. S. 203.

The petitioner has failed to demonstrate that the rulings of the Circuit Court in respect to the admissibility and the relevancy of the foreign trade-mark proceedings, are erroneous or are in conflict with any other authoritative decisions. All of the important trade-mark cases cited by the petitioner in its brief received the careful consideration of the Circuit Court, which had this case under deliberation for five months. The cases of *Sheldon v. Metro-Goldwyn Pictures*, 106 F. 2d 45, *Ketcham Harvester v. Johnson*, 8 F. 586, and *Dowagiac Mfg. Co. v. Minnesota Plow Co.*, 235 U. S. 641, cited in petitioner's brief, on pages 29 and 31, are cases involving patents or copyrights, and, for that reason, as well as others, are not in point.

III.

It would not be expedient or satisfactory for the Supreme Court to review any of the questions involved in this case, in its present stage.

The judgment reviewed by the Circuit Court of Appeals was only an interlocutory judgment. It is well settled that this Court, only in very exceptional circumstances, will review an interlocutory judgment.

Hamilton-Brown Shoe Co. v. Wolf, 240 U. S. 251, 258;

Robertson and Kirkham on "Jurisdiction of the Supreme Court", page 210.

In the case of *American Construction Co. v. Jacksonville*, 148 U. S. 372, this Court stated that interlocutory decrees will not be reviewed unless "it is necessary to prevent extraordinary inconvenience and embarrassment in the conduct of the cause".

Petitioner cites only two cases on this question of jurisdiction, *Mishawaka Rubber & Woolen Mfg. Co. v. Kresge*, 316 U. S. 203, and *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403. In the latter case, the situation was decidedly exceptional. Circuit Courts in different circuits had already made conflicting decisions on the same trade-mark. The *Mishawaka* case involved an extensive accounting, running into large amounts; the interlocutory decree, at least, was in final shape. Not only the rationale of the accounting, but its application to the case had been determined. To proceed with an accounting on that basis would have necessitated great expense, embarrassment and inconvenience. This Court divided sharply on the question reviewed.

The respondents believe that both the District Court and the Circuit Court of Appeals were in error, in concluding that there was confusing similarity between the

marks "Tangee" and "Zande", where it seems to be conceded that in the period from 1935 to 1942 there was in fact no deception, confusion or "palming-off". They believe that both Courts were especially in error in directing any accounting at all, under all the circumstances of this case, and with no showing whatsoever of damage. In our opinion, at least the latter question may be of sufficient importance in the construction of the Federal Trade-Mark Law to justify review by this Court. For that reason we had considered filing a petition for a cross writ and obtained an extension of time for that purpose. After further consideration, we have concluded that there is nothing at this time sufficiently definitive in this case, upon which to present it to this Court. If a writ were granted now, upon a subsequent full examination of the record it might be dismissed as improvidently granted because the record on the questions suggested is not complete.

Robertson and Kirkham *supra* pages 554-556.

At the present stage of this case, in our opinion, there is serious doubt whether there is even an interlocutory decree. The final word of the Circuit Court on this question is as follows:

"We do not think it desirable for this court to attempt to recast the decree with complete particularity. In so far as it relates to domestic business it is affirmed; also, it is affirmed with respect to business in Cuba, Chile and Nicaragua. With respect to other foreign business the reference to the master should be broadened to enable him to consider the evidence introduced before the district judge, including that relating to trade-mark registration or litigation between the parties in such countries and additional evidence, if offered, and to report to the district court in conformity with this opinion on the proper scope of the injunction as well as on the accounting" (474).

In our opinion, a reasonable interpretation of the above would require that the Special Master, pursuant to the direction of the Circuit Court, take testimony as to the scope of a modified Interlocutory Decree of the District Court, before proceeding with an accounting. The Circuit Court could have recast the decree or could have remanded the case directly to the District Court for modification. They did neither (474). But the Interlocutory Decree under the ruling of the Circuit Court is not complete, "Additional evidence" will determine the scope of the accounting, which should be defined in a modified Interlocutory Decree

On the showing made by the petitioner on this application, in our opinion, this is a "non-conflict" case. When all the evidence is in and the record is complete, however, there may remain in the case a question or questions of sufficient importance in the construction of the Trade-mark Law to warrant review by this Court. The respondents desire to respectfully reserve their rights for the final decree, and ask the Court to deny the application at this time. One of the questions presented to the Court on this application is apparently conceded by the petitioner to be wholly academic (Petitioner's Brief, p. 33). It may appear on a further development of the facts, as directed by the Circuit Court, that other questions in the case will be clarified or eliminated.

In conclusion, we wish to state, that in approaching this matter, we have considered the merits of the case, the interests of our clients, particularly the large expense involved, and also what we understand to be our duty to this Court. A conscientious appraisal of the whole situation and a careful analysis of the opinion of the Circuit Court justifies and necessitates the conclusion that the review of any question involved in this case at this time, assuming that there is any question of sufficient importance, would not be expedient or satisfactory to the Court or to any of the

parties involved. In our opinion, there is not now an adequate basis in this record for the solution of any questions of importance which may reside in the case.

Dated, September 28, 1944.

Respectfully submitted,

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